

Message Text

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C O N F I D E N T I A L WARSAW 6738

COMMERCE FOR DEPUTY ASSISTANCE SECRETARY DOWNEY

E.O. 11652: GDS

TAGS: BEXP, BEWT, PL

SUBJECT: SPEED URGED IN CONCLUSION OF COLOR-TV PICTURE-TUBE
PLANT NEGOTIATIONS

REF WARSAW 6709

1. SUMMARY. MINISTER WRZASZCZYK TOLD ME OCTOBER 10 THAT IF CORNING GLASS DOES NOT SPEED UP ITS NEGOTIATIONS WITH UNITRA, IT AND RCA COULD LOSE A \$60-70 MILLION CONTRACT TO JAPANESE COMPETITION. HE MADE A STRONG PLEAS FOR HELP IN CONVINCING CORNING THAT IT SHOULD CONCLUDE THE CONTRACT WITH UNITRA AS SOON AS POSSIBLE. UNLESS THERE ARE SIGNIFICANT FACTORS IN THIS SITUATION ABOUT WHICH WE HERE ARE IGNORANT, I STRONGLY RECOMMEND THAT WE DO EVERYTHING WE CAN TO HELP WRZASZCZYK, THE LEADING "AMERICANIZER" IN POLAND'S INDUSTRIAL DEVELOPMENT AND THE MAN WHO SYMBOLIZES GIEREK'S COMMITMENT TO SHARPLY INCREASED TRADE WITH THE U.S. END SUMMARY.

2. MINISTER OF MACHINE INDUSTRY WRZASZCZYK ASKED OCTOBER 10 FOR MY ASSISTANCE IN GETTING CORNING GLASS TO MOVE FASTER IN CONTRACT NEGOTIATIONS NOW UNDER WAY IN THE US WITH A TEAM OF POLISH NEGOTIATORS. UNITRA, A DEPENDENCY OF HIS MINISTRY, IS NEGOTIATING WITH CORNING AND RCA FOR A PLANT TO PRODUCE COLOR-TV PICTURE-TUBES. THE MINISTER SAID HIS NEGOTIATORS
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WERE READY TO SIGN A CONTRACT, BUT THAT CORNING WAS ENGAGING

IN DELAYING TACTICS.

3. WRZASZCZYK MADE AN EARNEST PLEAS FOR HELP FROM THE EMBASSY, THE DEPARTMENT OF COMMERCE, AND THE DEPARTMENT OF STATE, IN GETTING CORNING TO MOVE NOW ON THE POLISH CONTRACT. CORNING'S CLAIM THAT ITS LAWYERS REQUIRED A SIGNIFICANT ADDITIONAL PERIOD OF TIME TO DRAW A NEW CONTRACT, HE SAID, WAS HARD TO ACCEPT. SO BIG A FIRM COULD EASILY ENGAGE ADDITIONAL LEGAL ASSISTANCE, IF IT WERE SERIOUS ABOUT REACHING AGREEMENT QUICKLY. WRZASZCZYK SAID THAT ALL THE SIGNIFICANT ELEMENTS HAD EITHER BEEN AGREED BETWEEN CORNING AND UNITRA, OR NEARLY SO. HE WOULD THEREFORE BE MOST APPRECIATIVE IF WE COULD HELP HIM CONVINCE CORNING OF THE DESIRABILITY OF CONCLUDING THIS AGREEMENT IN THE SHORTEST POSSIBLE TIME.

4. FINALLY, WRZASZCZYK APOLOGIZED FOR BRINGING TO THE EMBASSY'S ATTENTION STILL ANOTHER PROBLEM (REFTEL). IF HE HAD BEEN AWARE OF THIS WHEN HE HAD SEEN SECRETARY MORTON ON MONDAY, HE WOULD HAVE PRESENTED THE PROBLEM TO HIM. BUT HE HAD BEEN INFORMED THAT A SERIOUS PROBLEM EXISTED ONLY AFTER SECRETARY MORTON'S DEPARTURE.

5. THE MINISTER SAID THAT AT THE PRESENT TIME THE HIGHEST LEVELS OF HIS GOVERNMENT WERE COMMITTED TO HAVING THIS TV-TUBE PLANT CONSTRUCTED. (COMMENT: SECRETARY MORTON RECEIVED FULL CONFIRMATION OF THIS IN HIS TALKS WITH FIRST SECRETARY GIEREK, PRIME MINISTER JAROSZEWICZ, AND DEPUTY PREMIER OLSZEWSKI. END COMMENT.) HOWEVER, WRZASZCZYK ADDED, THE CURRENT FIVE-YEAR PLAN WAS COMING TO AN END AND NEW PRIORITIES WERE BEING SET; CONSEQUENTLY, HE COULD NOT BE SURE HOW LONG HIS GOVERNMENT WOULD CONTINUE TO GIVE THIS PROJECT THE NO. 1 PRIORITY THAT IT NOW HAS.

6. WRZASZCZYK SAID THAT HE PARTICULARLY WANTED TO CONCLUDE THIS DEAL WITH RCA AND CORNING, SINCE HE SAW THE POSSIBILITY OF FURTHER JOINT EFFORTS WITH RCA IN OTHER FIELDS. HE WANTED POLAND TO HAVE THIS LINK WITH THE MOST ADVANCED U.S. FIRM IN TELEVISION AND RELATED ELECTRONIC FIELDS. BECAUSE OF HIS CONCERN THAT HIS GOVERNMENT'S PRIORITIES MIGHT CHANGE, HOWEVER, HE HAD TO BE PREPARED TO DEAL WITH CONFIDENTIAL

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THE JAPANESE. HE SAID THAT REPRESENTATIVES OF TOSHIBA AND HITACHI AND THE PRESIDENT OF ASAHI GLASS HAD RECENTLY VISITED HIM TO PUSH THEIR OFFERS.

7. THE MINISTER SAID HE THOUGHT CORNING'S DELAYING TACTICS MIGHT BE THE RESULT OF NEGOTIATIONS WHICH HE BELIEVED CORNING HAD UNDER WAY WITH THE SOVIET UNION AND OTHER COUNTRIES. AFTER I LEFT THE MINISTER'S OFFICE, ONE OF HIS

AIDES SAID HE BELIEVED THE MAIN PROBLEM WAS THAT CORNING PROBABLY WAS AFRAID OF ENDING UP WITH LANGUAGE IN THEIR CONTRACT WITH THE POLES WHICH MIGHT CAUSE THEM PROBLEMS IN THEIR DISCUSSIONS WITH THE SOVIETS.

8. WRZASZCZYK SAID THE CONTRACT WITH RCA WAS AGREED UPON AND READY TO SIGN, BUT INCLUDED A CLAUSE STATING THAT IT WAS VALID ONLY IF AGREEMENT WAS REACHED WITH CORNING AS WELL.

9. COMMENT: I BELIEVE WRZASZCZYK'S CONCERN ABOUT THE DURATION OF HIS GOVERNMENT'S COMMITMENT TO CONSTRUCTING THE COLOR-TUBE PLANT IS WELL-FOUNDED. IN RECENT MONTHS, A NUMBER OF PROJECTS ON WHICH DISCUSSIONS WITH FOREIGN SUPPLIERS HAD BEEN WELL-ADVANCED WERE SHELVED, APPARENTLY BECAUSE THEY DID NOT MEET THE PROGRESSIVELY STIFFER CRITERIA WHICH ARE BEING APPLIED TO THE EXPENDITURE OF FOREIGN EXCHANGE. GIVEN POLAND'S FOREIGN-EXCHANGE SITUATION, THESE CRITERIA ARE LIKELY TO CONTINUE TO BECOME MORE RESTRICTIVE. FOR SOME TIME, WE IN THIS EMBASSY HAVE BEEN WONDERING HOW THE COLOR-TUBE PLANT HAD SURVIVED THE TIGHTENING OF THE FOREIGN EXCHANGE SITUATION. COMMENTS BY VICE MINISTER OF FOREIGN AFFAIRS SPASOWSKI TO ASSISTANT SECRETARY HARTMAN AND BY OTHER POLISH OFFICIALS TO EMBASSY OFFICERS INDICATE THAT AT LEAST SOME WITHIN THE POLISH GOVERNMENT SHARE OUR CONCERN.

10. WRZASZCZYK IS A KEY MAN IN OUR EXPORT EFFORTS IN POLAND, SINCE DEALS INVOLVING SALES OF NEARLY TWO BILLION DOLLARS IN US GOODS AND SERVICES ARE BEING NEGOTIATED WITH AGENCIES OF HIS MINISTRY. I HOPE THAT WE CAN HELP HIM AND OURSELVES IN THIS CASE. IN MY VIEW, MORE HINGES ON THIS THAN THIS DEAL ALONE. IT IS AN OBVIOUS TARGET FOR ATTACK NOT ONLY WITHIN THE POLISH GOVERNMENT, BUT ALSO BY OFFICIALS OF OTHER CEMA COUNTRIES. CONSEQUENTLY, CRITICISM OF THE

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CORNING/RCA PROJECT IS A LOGICAL RALLYING-POINT FOR THOSE WHO WOULD LIKE TO LIMIT POLAND'S COMMITMENT TO INDUSTRIAL COOPERATION WITH THE WEST, AND WITH THE U.S. IN PARTICULAR.

11. THE URGENCY WHICH WITH WRZASZCZYK AND OFFICIALS OF HIS MINISTRY HAVE BEEN SEEKING TO CLOSE THIS DEAL INDICATES THAT THEY BELIEVE THEIR TIME IS LIMITED. HURRIEDLY SENDING A TEAM TO THE U.S. TO NEGOTIATE A CONTRACT IS VERY UNUSUAL FOR ANY POLISH INDUSTRIAL ENTITY. WE KNOW OF NO PREVIOUS EXCEPTIONS TO THE RULE THAT SUCH NEGOTIATIONS ARE DONE IN POLAND AND ARE DRAGGED OUT ALMOST ENDLESSLY BY THE POLES IN ORDER TO OBTAIN THE MAXIMUM ADVANTAGES, PARTICULARLY IN PRICE.

12. I BELIEVE THAT IF CORNING DOES NOT MOVE QUICKLY, THE

POLES ARE LIKELY TO DO THE DEAL WITH THE JAPANESE, AND
\$60-70 MILLION OF BUSINESS WILL HAVE BEEN LOST TO CORNING
AND RCA. END COMMENT.

13. ACTION REQUESTED: I URGE THAT CORNING AND RCA BE CON-
TACTED AT THE HIGHEST APPROPRIATE LEVEL AND INFORMED OF THE
MINISTER'S CONCERN AND THE EMBASSY'S ASSESSMENT OF THE
SITUATION. UNLESS THERE ARE FACTORS IN THIS SITUATION
ABOUT WHICH WE HERE ARE IGNORANT, I WOULD STRONGLY URGE
CORNING TO CONCLUDE THIS CONTRACT AS SOON AS POSSIBLE.

14. I AM PREPARED TO CABLE AMBASSADOR ROBERT D. MURPHY
DIRECTLY, IF THE DEPARTMENT BELIEVES HE MIGHT BE IN A
POSITION OF INFLUENCE CORNING'S DECISION.
DAVIES

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